



Public Employee Retirement System of Idaho

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
607 North 8th Street
BOISE, IDAHO 83702

MINUTES

OF
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:30 a.m., April 24, 2001. The following members were present:

Jody B. Olson
Dennis L. Johnson
Susan K. Simmons
Pamela I. Ahrens
J. Kirk Sullivan

Executive Director Alan H. Winkle, Deputy Attorney General Brad Goodsell, Chief Investment Officer Robert Maynard, Medical Advisors B. Strouth, John Mather, and Management Assistant Joanne C. Ax were also in attendance. Other persons attending portions of the meeting were:

Doug Dorn	Dorn, Helliesen & Cottle
Richelle Sugiyama	Dorn, Helliesen & Cottle
Drew Black	D.B. Fitzpatrick & Co
Dick Martin	IPEA
Rod MacKinnon	Mountain Pacific Investment Advisors
Charlie Brown	Retired Teachers Association of Idaho
James Coleman	PERC/Retired Teachers
Brent Nye	Boise School District
Brian McGrath	DB Fitzpatrick & Co.
Dennis Fitzpatrick	DB Fitzpatrick & Co.
Geoff Bridges	Milliman & Robertson
Brent Nye	Boise School District
Rhonda Yadon	PERSI
Judy Aitken	PERSI

EXECUTIVE SESSION:

Chairman Olson noted for the record the necessity to hold an executive session to discuss matters exempt from disclosure as provided in Chapter 3, Title 9, Idaho Code and that Idaho Code §67-2345 (1) (b) &(d) authorizes the same. By motion duly made by Trustee Johnson, seconded by Trustee Ahrens and unanimously approved, the Board went into executive session at 8:32 a.m.

After discussion of each disability application and personnel matters, the Board resumed the regular session at 8:53 a.m. By motion duly made by Trustee Johnson and seconded by Trustee Ahrens, the Board unanimously approved the disability application of Kathleen Hogan with no review. In the same motion, the applications of Fred Winward and Wade Zollinger were denied, not meeting the requirements of the PERSI plan.

Chairman Olson said that the Board had also reviewed the performance of Executive Director Alan Winkle. They commended him on the agency accomplishments, the new gain sharing program and the relationship with the Controller's office and the Legislature. By motion duly made by Trustee Simmons, seconded by Trustee Johnson and unanimously approved, the Board awarded a 5% salary increase and the maximum bonus (\$1,000) allowed by the State of Idaho to Mr. Winkle.

OLD BUSINESS:

Approval of the Minutes: By motion duly made by Trustee Ahrens and seconded by Trustee Simmons, the Board unanimously approved the minutes of the March 20, 2001 regular meeting of the Retirement Board.

PORTFOLIO

Monthly Portfolio Update Mr. Maynard introduced Jeff Lee of GMAC Commercial Mortgage. Mr. Lee works with Eric Lindner and is starting the review of the Idaho Commercial Mortgage Program which will be presented in July or August.

Mr. Maynard reviewed his April 24, 2001 PERSI Investment Report which contained the following CIO Comment:

While the evidence continues to mount that the US may be either in or headed into a recession (declining consumer confidence, retail sales, prices, and employment), there is an increasing believe that the equity markets may have bottomed on April 4th (fewer negative earnings surprises and fewer lowering of already lowered expectations). The surprise Fed rate cut of 50 basis points was, in many analysts' view, the "icing on the cake." The issue now becomes the shape of the economic recovery and, separately, the shape of a market recovery ("U" vs. "V" shaped). The portfolio is still in a somewhat defensive posture, and thus will not capture fully any sudden rises in the equity market. Growth managers, like Barings, are finally seeing some positive returns.

At negative 5%, PERSI is fully funded. Every point either up or down from there, adds or subtracts (i.e. at negative 6%, the fund is 99% funded). Mr. Maynard reviewed the impact of the strategic policies on the fund and individual manager returns. We are slightly under weighted in fixed income and this will likely continue in the next few months.

Mr. Maynard distributed and discussed graphs showing the value added by each of the managers. Board members asked for tutorial sessions with more details on this tool for monitoring our managers.

Portfolio Report: Doug Dorn of Dorn, Hellieson and Cottle reviewed his report for the period ended March 31, 2001, which had previously been furnished to the Board. The report showed a total fund return of negative 7.1% for the first quarter. Other returns included Total U.S. Equity-11.5%; The Total Global Equity- 11.4%; Private Equity portion- 20.0%; Real Estate a positive 2.8%; and the Total Fixed Income portion a positive 3.9%. Mr. Dorn discussed personnel changes at MFS.

Other Investment Business: Chairman Olson opened the floor to comments from managers who were attending the meeting. Some are expecting a continued decline in the economy as consumers are faced with rising gas, energy and mortgage rates. However, stock prices may have already taken these factors into account. Dennis Fitzpatrick said it has been a good 12 months for bonds, He is happy with the lowered interest rates and believes they should be lowered further to 4%. Mr. McGrath said he is more optimistic than he was three months ago. He does not expect an official recession but a good recovery. Mr. Jeff Lee of GMAC Commercial Mortgage added that commercial mortgages are doing well, and those in the PERSI portfolio are recourse loans which makes them even better.

OTHER BUSINESS:

Chairman Olson recognized the long service of the two physicians who have reviewed PERSI's disabilities for many years. John Mather and Bernard Strouth were presented with plaques to commemorate their contribution to PERSI and the disability program. Trustee Pam Ahrens was excused from the remainder of the meeting because of a former obligation.

FISCAL

Expense Reports: Senior Accountant Rhonda Yadon reviewed the Portfolio and Administrative Expense Reports for the month of March 2001 as well as the Out of State Travel Report. She reported that spending is within the annual budgets. A memo from Financial Officer Jim Monroe noted that the annual IRS filing for a Letter of Determination is underway. All law changes are submitted annually so the IRS can confirm that the plan remains in compliance with IRS regulations. PERSI is also filing for one for the new 401(k) plan as well. Mr. Winkle noted that this is the first look at the concept of moving DB to DC within the trust by the IRS. He explained that we want them to look at the gain sharing amendments and ensure everything is in compliance. The concept has been extensively reviewed by tax counsel. If there are problems, that is part of the process, and the IRS will ask us to make retroactive changes to solve them.

The FY 2002 Comprehensive Compensation Plan has been reviewed by DHR and DFM. We are implementing merit increases as early as possible by utilizing salary savings generated during the year. Chairman Olson asked that a copy of the plan be sent to Trustee Simmons.

EXECUTIVE DIRECTOR

Status Update: The Board had previously received the monthly status memo that summarized the projects in which PERSI is involved. Mr. Winkle told the Board that State Street was unable to provide daily pricing net of fees for the EAFE and Wilshire 5000 Choice Plan options, so we will offer Mercer's second recommendation, Mellon Capitol. We expect to

be ready to accept voluntary contributions to the Choice Plan on July 1. He also told to Board that 73 people have been identified as exceeding their IRS contribution limits and refunds have been distributed to them. We are answering questions from them about the refunds. Trustee Sullivan asked if interest is paid on these. Mr. Winkle said the IRS requires the plan vendor to refund the contribution and any gains or losses on the contributions. He also told the Board that staff is working on the data warehouse to improve the annual statements in the coming year. The data integrity project is also being implemented.

Trustee Simmons commented that she is receiving many positive comments on the educational seminars being provided. She said the trainers and ETI staff are doing an excellent job. Employees at all levels of the payscale are getting excited about the opportunities and are appreciative of the education PERSI is providing.

Adjournment: There being no further business to conduct, by motion duly made by Trustee Sullivan, seconded by Trustee Johnson and unanimously approved, the meeting was adjourned at 9:44 a.m.

FUTURE BOARD MEETINGS

Tuesday, May 22, 2001, 8:30 a.m., Boise - PERSI office

Tuesday, June 26, 2001, 9:30 a.m., Twin Falls, Idaho – Best Western Cavanaugh's

Tuesday, July 24, 2001, 8:30 a.m., Boise - PERSI office - CANCELED

Jody B. Olson
Chairman

Alan H. Winkle
Executive Director